400 - Com. 1st Pref
70 000 - Ord. 5¢ 12-1-59

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

Annual Report

1944

GENERAL SHOE CORPORATION

NASHVILLE, TENNESSEE

for the year ended October thirty-first

GENERAL SHOE CORPORATION

NASHVILLE 1, TENNESSEE

Directors—

William M. Blackie
Henry W. Boyd, Jr.
Jack R. Braden
Earle T. Bumpous
Candler W. Butler
Noble C. Caudill
Charles W. Cook
W. Maxey Jarman
J. Harlan Lawson
James P. Saunders
Claude M. Swinney
Fred Thomas
Houghton D. Vaughn
William H. Wemyss
Otis C. Williams

Officers—

W. Maxey Jarman ..... *President*
William H. Wemyss ..... *Executive Vice-President*
Henry W. Boyd, Jr. ..... *Vice-President and Treasurer*
J. Harlan Lawson ..... *General Manager*
William M. Blackie ..... *Vice-President*
Earle T. Bumpous ..... *Vice-President*
James P. Saunders ..... *Vice-President and Secretary*
Noble C. Caudill ..... *Vice-President*
Otis C. Williams ..... *Auditor*
Charles W. Cook ..... *Assistant Vice-President*
Houghton D. Vaughn ..... *Assistant Vice-President*
H. Nelson Carmichael ..... *Assistant Secretary*

Transfer Agents: **Guaranty Trust Company of New York, New York, N. Y., and American National Bank, Nashville, Tenn.**

Registrars: **Chemical Bank and Trust Company, New York, N. Y., and The Nashville Trust Company, Nashville, Tenn.**

Annual Meeting of Stockholders: March 5, 1945.

Factories—

Nashville, Tennessee (Four)
Gallatin, Tennessee (Two)
Tullahoma, Tennessee (Two)
Lewisburg, Tennessee
Hohenwald, Tennessee
Mexico City, Mexico (Two)
Pulaski, Tennessee
Cowan, Tennessee
Frankfort, Kentucky
Lawrenceville, Georgia
Atlanta, Georgia
Whitehall, Mich. (Tannery)

Sales Divisions—

Jarman Shoe Company
Richland Shoe Company
Davidson Shoe Company
Dominion Shoe Company
Edgewood Shoe Factories
Barrett Shoe Company
Sewanee Shoe Company
Republic Shoe Company
Little Welt Shoe Company
Dominion Leathercrafters
K. B. S. Shoe Company
Keenland Shoe Company
Monteagle Shoe Company
General Wax Industries

Company-Operated Retail Stores: Jarman, Flagg Brothers, John Hardy, and Holiday's.

GENERAL SHOE CORPORATION

Annual Report

FOR THE YEAR ENDED OCTOBER 31, 1944

Report from The President

Total volume of business for General Shoe Corporation for its fiscal year ended Oct. 31, 1944 was $53,474,786. Of this amount, inter-company business amounted to $8,757,977. This leaves net sales to customers of $44,716,808, a 9% increase over the net sales to customers of 1943 amounting to $40,886,382. Shoes produced during the year totaled 12,520,751 pairs.

Earnings per share on common stock outstanding Oct. 31, 1944 were $1.54 after making provision for preferred dividend. This compares with $1.90 per share the previous fiscal year. Net profit for the year amounted to $1,007,411. Regular dividends were paid on preferred stock and dividends of $1.00 per share on common stock.

At Oct. 31, 1944, as shown on the balance sheet, the company owned government securities amounting to $3,088,000 which were deducted from our total federal tax liability. This left current liabilities of $1,073,386 which compared with cash on hand of $2,182,735 in addition to other government securities of $78,000.

Total net working capital, as represented by the difference between current assets and current liabilties, now stands at $9,496,769. The current ratio at the end of the year was 9.85 to one.

Approximately 18½% of the company's net sales in 1944 have been on government military contracts. These items are chiefly military shoes of various types but also include some canvas products such as leggings and duffle bags.

Contracts now on hand with the government indicate about the same rate of operation on military shoes for the next several months. Government agencies estimate the continuation of shoe purchases on a rather heavy scale even though the war in Europe should end soon. However, reconversion to civilian products does not constitute much of a problem with us, since the same type of machinery and equipment in general is used for civilian shoes as in manufacturing military shoes. Workers can be changed over very quickly to civilian products.

Demand continues strong for civilian shoes, and even if government purchases from the industry as a whole are considerably reduced, we believe civilian demand would take up any slack that occurs. Discharged service men will need to rebuild their shoe wardrobes and inventories of all types of shoes in the hands of retailers are very low. The total number of shoes purchased by the United States government is somewhat less than 10% of the total of all kinds of shoes produced by the industry.

However, there are problems in connection with the obtaining of sufficient supplies of raw materials and it is likely that during the post-war period there will also be some problems in this connection. Our present inventories of raw materials, while not large, are fairly well balanced and we have close working relationships with the most important producers of materials. Our sources of supply have been very helpful in working with us to meet the difficulties that have arisen. But, the demand for hides and leather for military supplies, for relief purposes, and when the war is over, from foreign countries for other civilian purposes all tend to indicate that the supply situation is not likely to get much easier.

Domestic cattle slaughter, which is the source of most of the leather raw materials supplies produced in this country, continues at a fairly high level. However, the number of hides and skins from foreign sources upon which this country depends to a minor degree has declined. In some cases production of hides and skins has fallen off in these foreign countries, some have used more of their own raw materials at home. Also, a certain amount of speculation exists in some foreign countries in the building up of stocks of hides and skins and leather in anticipation of the strong demand from Europe in the post-war period. These speculative stocks, however, do provide some cushion for expected European demand.

At present the distribution and price of hides and skins exported from foreign countries is controlled by agencies of the United Nations. This has kept prices at a reasonable level during the war period even though it has meant that supplies of hides and skins received by United Nations have not been as large as they might have been if prices had been allowed to rise. It is expected that the same general control of the distribution and price of hides and skins will be maintained during the post-war period although it will not be quite as easy to handle. If there is a large demand from Europe as well as from England, the United States and other consumers, there may be some advance in the prices. Any increase in world prices, of course would have to be reflected one way or another in this country.

General Shoe, then, is confronted with the possibility of post-war advances in the prices of its raw materials and products. If this occurs and our production remains at the same level in pairs it will be necessary to consider the capital requirements for the increased dollar volume of business. In addition to this factor, it must be kept in mind that capital turnover has been at a very rapid rate during the last two or three years, as retailers have been able to pay for their shoes very promptly which meant that accounts receivable have been abnormally low considering the volume of business. Inventories of finished shoes have also been low. This means that under normal conditions capital turnover would not be as great as

at present, and if our dollar volume of business should remain on the same level that it is now, additional capital would be used. The company also plans for the further development of its business in its various lines. Each operating branch of the company expects to secure a larger share of the industry's volume of business when the war is concluded. This again calls for consideration of capital requirements.

With these factors in mind, and in consideration of the very low cost of debenture bond financing under present-day conditions, the company is offering through underwriters a new debenture bond issue of $5,000,000 due in fifteen years at 3% interest. Proceeds from this sale of debentures will be used in part to pay off the present 3¼% debentures, and the balance of the proceeds of approximately $3,000,000 will be added to the general funds of the company for the various needs that are anticipated. This offering of debentures is made through Smith, Barney & Co. of New York as managers of an underwriting syndicate. The issue has been filed with the Securities and Exchange Commission, and a prospectus describing the issue can be obtained from most security dealers. This debenture issue carries a sinking fund provision of $200,000 per year as compared with the sinking fund provision of $150,000 per year in the present outstanding issue.

There has been some relaxation of government controls in connection with the design of shoes and the production of lower priced shoes. These relaxations have not changed our products very considerably and, in general, government controls continue quite drastic on various operations of the business. Shoe rationing continues necessary and Washington agencies predict it will be in existence for some time.

During the past year our company acquired from Eagle-Ottawa Leather Company the properties owned by that company at Whitehall, Mich. These properties consisted of an upper leather tannery with a going organization. While this tannery supplies only a very small part of our upper leather requirements it was felt desirable for the company to supplement its purchases from other tanners by the amount of leather that could be produced at this tannery. With supplies very difficult to obtain at the present time, this leather comes in very handily during this period, and with the plans that our company has for further growth after the war it is believed that the leather produced at Whitehall will be of considerable help in obtaining sufficient supplies to take care of our increasing demand.

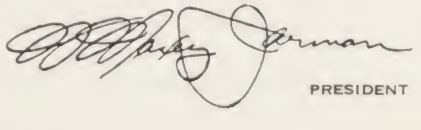
During the past year, our company opened in Nashville, Tenn., a retail store for women's shoes under the name of Holiday's. It is expected that this store, in addition to others that are planned to be opened during the post-war period will keep us in very close touch with the changing trends in demands for women's shoes and thus make it possible for us to serve our customers in a better way.

During the past year, the operation of our shoe polish division has been moved from Memphis, Tenn., to a larger plant in Nashville, providing additional and improved facilities. Our hand bag business has also been moved into larger quarters and an addition to our children's shoe factory has been made which has made possible increased production.

Demand for products of the company from retailers and consumers is considerably in excess of our ability to deliver. It is necessary to allocate the production of our factories to our customers in proportion to their previous uses. Our factories are operating on a very good basis, although there continue to be a great many problems in connection with the turnover of labor, and the difficulty of securing sufficient number of people in some of our locations. We have had some service men returned who have been dischargd from the Army, and these have been re-employed when they have made application. According to our surveys about 60% of our employees who have been discharged from the Army have returned to us for employment. This seems to be considerably in excess of the average over the country as a whole, and speaks well for their relations with the company. We expect to be able to re-absorb all of our former employees who may return to us, and at the same time to keep all of our present employees who wish to continue on the job.

Prospects for volume for the coming fiscal year appear to be about the same as the past fiscal year. Indications, however, are that it will not be easy to maintain profit margins. During the past fiscal year profit margins declined because of the increasing cost of raw materials, and the increasing cost of labor, without a corresponding increase in price of our finished products. Also during the past year we had an increase in tax rates which reduced our net.

Our organization is meeting its problems with a very fine spirit and determination to do the very best job possible under the circumstances. Further plans for improvement in products and service, and for growth of the operation are being worked on to have them in readiness for the post-war period. It is believed that the shoe industry as a whole has great opportunities for development in the next several years, and our organization is preparing itself to take advantage of these opportunities and to fulfill its obligation of rendering service to the public.



PRESIDENT

Dec. 30, 1944.

GENERAL SHOE

Consolidated Balance Sheets

AS OF OCTOBER 31, 1944 AND 1943

	October 31, 1944	1943
ASSETS		
CURRENT ASSETS:		
Cash in banks and on hand	$ 2,182,735	$ 1,820,777
United States Government Obligations—at cost	78,000	383,500
Due from United States Government for merchandise	549,924	334,276
Customers accounts receivable, less reserve for bad debts and discounts	2,330,520	2,147,253
Miscellaneous accounts receivable	37,384	35,406
Inventories—Finished products and work in process valued at approximate cost, raw materials and special merchandise at the lower of cost or market:		
Finished products	1,201,382	1,366,960
Raw materials, merchandise in process, and special merchandise	4,190,210	4,566,635
	$10,570,155	$10,654,807
INVESTMENTS:		
Capital stocks of other companies, including majority ownership in two foreign subsidiaries not consolidated—at cost	$ 55,499	$ 65,499
Excess profits tax refund bonds	64,914	
Post-War Refund of Federal Excess Profits Tax—estimated	417,999	212,800
Officers and Employees Stock Purchase Accounts—secured	132,769	136,948
Sinking Fund with Trustee	152,438	152,438
Real Estate	64,900	57,650
Buildings, Machinery and Equipment, and Improvements to Leased Properties	1,818,883	1,736,411
Less—Reserve for amortization and depreciation	835,132	855,639
	$ 983,751	$ 880,772
Goodwill, Patents, and Trade Marks	1	1
	$12,442,426	$12,160,915
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable for merchandise, expenses, etc.	$ 188,860	$ 318,421
Due to officers and employees, including war bond deductions	72,484	92,162
Accrued liabilities	586,365	512,379
Preferred dividends payable January 2, 1945	19,852	
Provision for taxes on income, less United States Treasury Tax Notes held for payment of Federal taxes, $3,088,000 at October 31, 1944 and $3,095,056 at October 31, 1943	205,825	50,276
	$ 1,073,386	$ 973,238
Fifteen Year 3¼% Sinking Fund Debentures due December 1, 1956 ($150,000 called for redemption December 1, 1944 and 1943, respectively, and cash deposited with Trustee—Contra)	2,200,000	2,350,000
Reserve for Retirement, Insurance, and Contingencies	229,718	218,819
CAPITAL STOCK:		
Preferred stock without par value—Authorized and issued or to be exchanged for old shares—99,260 shares callable at $7.50 per share with liquidating value of $5 per share; having preference of 40c per annum cumulative dividends, payable on January 1, and July 1, (declared to January 2, 1945)	496,300	496,300
Common stock, Par value $1 per share—Authorized 1,200,000 shares, outstanding (after deducting 2,820 shares in treasury)—627,391 shares	627,391	627,391
Paid-in Surplus	3,646,388	3,646,388
Earned Surplus	4,169,243	3,848,779
	$12,442,426	$12,160,915
Net Working Capital	$ 9,496,769	$ 9,681,569
Current Ratio	$ 9.85 to 1	$10.95 to 1

CORPORATION

Consolidated Profit and Loss

FOR THE YEARS ENDED OCTOBER 31, 1944 AND 1943

	Year ended October 31, 1944	1943
Sales, less returns and allowances	$44,716,808	$40,886,382
Less—Discount on sales	471,753	392,872
	44,245,055	40,493,510
Cost of Sales	35,137,299	31,638,320
GROSS PROFIT	9,107,756	8,855,190
Selling, General, and Administrative Expenses and Provision for Bad Debts	5,043,827	4,617,033
OPERATING PROFIT	4,063,929	4,238,157
Miscellaneous Income—Interest and dividends received and service charges	31,238	17,660
	4,095,167	4,255,817
MISCELLANEOUS CHARGES:		
Interest on debentures	71,906	76,781
Provision for contingencies	13,200	13,200
TOTAL MISCELLANEOUS CHARGES	85,106	89,981
PROFIT BEFORE TAXES ON INCOME	4,010,061	4,165,836
Provision for Taxes on Income, less Post-War Refund of Federal excess profits tax 1944, $220,600, 1943, $191,000	3,002,650	2,936,700
NET PROFIT	$ 1,007,411	$ 1,229,136
Depreciation and Amortization of Plant, Equipment, and Improvements, and Lasts, Dies, and Patterns charged to Operations	$ 348,333	$ 308,735

STATEMENT OF CONSOLIDATED SURPLUS

Earned Surplus

Amount at beginning of year	$ 3,848,779	$ 3,286,740
Net profit for the year	1,007,411	1,229,136
	4,856,190	4,515,876
DEDUCT DIVIDENDS:		
Amount paid on preferred stock—40c per share	39,704	39,704
Amount declared payable January 2, 1945 on preferred stock 20c per share	19,852	
On common stock—$1 per share	627,391	627,393
	686,947	667,097
Amount at end of year	$ 4,169,243	$ 3,848,779

Paid-in Surplus

Amount at beginning and end of year	$ 3,646,388	$ 3,646,388

Accountants' Report

To the Board of Directors,
General Shoe Corporation,
Nashville, Tennessee.

We have examined the balance sheet of the General Shoe Corporation and its consolidated subsidiaries as of October 31, 1944 and the statements of profit and loss and surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies, and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. It was not practical to confirm receivables from the United States Government and we have satisfied ourselves with regard thereto by other auditing procedures. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The Company added to reserve for bad debts, through charges to profit and loss, the amounts of $98,552 and $73,149 for the fiscal years 1943 and 1944, respectively, based on percentages of credit sales. Improved bad debt experience and the condition of the accounts receivable indicate that the reserve would have been adequate without these additions.

Under the customary terms of the rental and royalty agreements covering machinery leased by the parent company, it is liable to the lessor for deferred license fees amounting to $132,623 (net) as of October 31, 1944, which are payable when such machinery is returned to the lessor, together with all return freight and repair charges. It is the consistent accounting procedure of the company to charge as operating expenses all current rentals and royalties.

The Company produces goods under contracts with the United States Government and is, therefore, subject to renegotiation. For the years ended October 31, 1942 and 1943 renegotiation has been concluded and agreements entered into to the effect that no excessive profits were realized. Renegotiation proceedings for the fiscal year 1944 have not been commenced but, on the basis of past experience, the company does not anticipate a determination that excessive profits were realized.

The indenture covering the fifteen year 3¼% sinking fund debentures restricts distribution of capital and surplus, except as to an amount of surplus at October 31, 1944 of $1,895,380.

In our opinion, subject to the apparent excessive provisions for bad debts mentioned in the second paragraph, the accompanying balance sheet and related statements of profit and loss and earned and paid-in surplus present fairly the position at October 31, 1944 of General Shoe Corporation and its consolidated subsidiaries and the results of their operations for the fiscal year, in conformity with generally accepted principles of accounting applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Five-Year Comparative Record

	Years ended October 31				
	1940	*1941*	*1942*	*1943*	*1944*
Total Volume of Business	$20,063,446	28,703,862	39,949,226	48,990,794	53,474,786
Net Sales Less Inter-Company Business	$17,462,085	23,729,199	33,738,750	40,886,382	44,716,808
Total Taxes on Income	$ 159,300	509,700	2,148,400	2,936,700	3,002,650
Net Earnings	$ 752,317	1,064,151	1,023,373	1,229,136	1,007,411
Earnings Per Share Common Stock	$ 1.14	1.63	1.57	1.90	1.54
Taxes Per Share Common Stock	$ .74	1.36	4.16	5.45	5.63
Dividends Per Share Common Stock	$ 1.00	.90	1.00	1.00	1.00
Current Assets	$ 6,592,176	7,380,109	10,281,900	10,654,807	10,570,155
Current Liabilities	$ 450,691	880,885	876,851	973,238	1,073,386
Working Capital	$ 6,141,485	6,499,224	9,405,049	9,681,569	9,496,769
Net Worth	$ 7,243,137	7,693,942	8,054,660	8,618,858	8,939,322
Debentures Outstanding	$		2,500,000	2,350,000	2,200,000
Preferred Stock	$ 496,300	496,300	496,300	496,300	496,300
Common Shares Outstanding	627,716	626,671	627,173	627,391	627,391
Depreciation and Amortization	$ 267,263	326,508	561,695	308,735	348,333

PLANTS

of the

General Shoe Corporation

Parent plant and general

Cowan, Tenn., plant makes women's shoes.

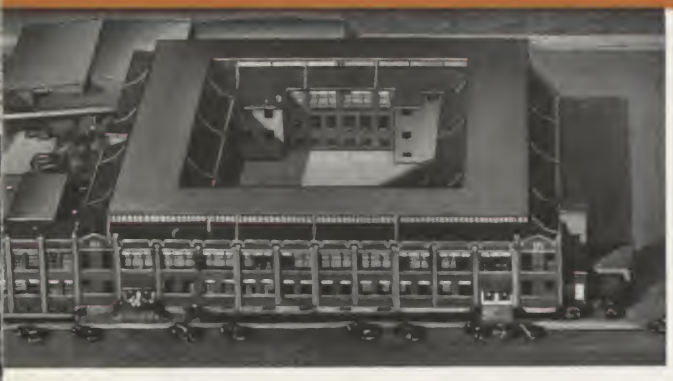
Number One plant at Gallatin, Tenn.

Feminine footwear made in Frankfort, Ky.

Number Two plant at Gallatin, Tenn.

Our Eclipse plant in Mexico City, Mexico.

Children's shoes are manufactur



offices at Nashville, Tenn.

Many army shoes made at Tullahoma, Tenn.

Our Edgewood plant in Atlanta, Ga.

Pulaski, Tenn., produces army combat boots.

General Shoe plant at Lawrenceville, Ga.

Military footwear also made at Lewisburg, Tenn.

ed in Hohenwald, Tenn., plant.

Home of the Dominion Leathercrafters, Nashville.

Comment on Operations

Each year the management of General Shoe Corporation presents additional background information and facts about the policies and operation of the Company. The purpose of these comments is to give a clearer picture of the business as it actually exists than can be obtained solely from examination of the financial statements.

Management has a three-fold responsibility—to the public, to the employees of the Company and to the stockholders of the Company. The operation of the business should be so coordinated and balanced that service to the public, the relationship with employees, and the return on the stockholders' investment will all fit in with each other in a manner most beneficial to each group. The interests of these three groups are not opposed to each other, but rather are dependent on each other. One group cannot be neglected without resultant damage to the others. With these principles in mind, management, through the Board of Directors of the Company, formulates general policies and plans the conduct of the business in the way most likely to serve every interest to the best advantage.

The Board of Directors now consists of fifteen men, all of whom are experienced in this business and hold active positions with the Company. Each of the Directors is a stockholder in the business, and a stockholder holding a good deal more than a nominal interest. The common stock of the Company, however, has a very good distribution and is listed on the New York Stock Exchange and the St. Louis Stock Exchange. There are approximately 3,250 stockholders. One trust fund, the income of which is used entirely for religious and charitable purposes, owns slightly more than 10% of the common stock, but no other individual owns as much as 5% of the common stock.

THE ORGANIZATION PLAN

General Shoe Corporation is organized on a decentralized basis. There are seven operating branches in this country, five of which manufacture and distribute shoes to the retailer. There is one branch manufacturing materials and supplies for use in the shoe factories, and another branch which covers retail operations of the Company. Each of these branches has a branch manager who is responsible for the complete operation of that part of the business. Some of these branches have more than one sales division to cover different types of markets, but each of the branches specializes in a particular field.

This decentralized setup with its spread of responsibility serves as a means of developing executives, giving free play to initiative and resourcefulness, making each part of the business able to meet changing conditions promptly without the inertia that frequently occurs as companies grow larger and do not decentralize authority and responsibility.

There is uniform central financial and policy control maintained by constant discussions with branch managers and also by the central staff organization. This staff organization covers the fields of finance, purchasing, industrial relations, research, auditing and legal work, and coordinates and serves the various branches of the business.

OUR PRODUCTS

The Company manufactures and distributes complete ranges of shoes in all fields of men's, women's and children's in the popular priced lines. No shoes are made in the extremely low priced field, nor in the extremely high priced field, but the various lines cover most of the volume fields. There are several lines of men's dress or street shoes retailing from about $4.00 to about $9.00. The Company has one plant devoted to the manufacture of work shoes, but the production of military shoes has seriously cut into the

Company retail store in Hartford, Conn.

ABOUT THIS REPORT—

Each year General Shoe strives to issue a report to stockholders which is comprehensive, entirely factual and dealing with questions concerning the company which might arise in the minds of our stockholders. Too, we try to make the report as attractive in appearance as possible, guarding, however, against anything sensational or gaudy. . . Comments from stockholders can do much to improve the structure and content of these reports. and we sincerely hope that you who read this will analyze and criticize the report, either adversely or favorably, so that we may be guided when it comes time to issue the next one. . . Our last year's report was selected by an impartial group of judges representing The New York Financial World as one of the best corporation reports in the country and the very best in the shoe and leather industry. The "citation of excellence in annual reporting" is displayed in the General Shoe offices in Nashville.

production of work shoes. Boys' shoes are made in several different grades.

The Company has one branch manufacturing women's style shoes retailing about $6.00. There are two lines of women's sport type oxfords and growing girls' shoes retailing in the $4.00 to $5.00 range. There is another line of medium style shoes retailing in the $4.00 range, and a line of casual shoes, many of which are non-rationed, retailing at around $4.00.

Children's shoes are made in several different constructions and retail from $3.00 to $5.00.

This Company has produced a number of different kinds of military shoes including combat boots, Army service shoes, regular Navy shoes and Navy field shoes, and Marine and Coast Guard shoes.

Of the Company's total production of around 50,000 pairs per day, approximately 60% is men's shoes, 30% women's shoes and 10% children's shoes.

In addition to the manufacture of shoes, the Company also produces hand bags and miscellaneous leather items including brief cases and wallets, shoe polishes and household waxes, window display fixtures, shower clogs and tans upper leather and military strap leather. At the present time, the Company is also manufacturing some other military items from canvas such as duffle bags and leggings.

GENERAL SHOE PLANTS

General Shoe Corporation operates eleven shoe factories in the United States. All of them are located in the South as shown on the first inside page of this report. Each of these plants specializes on a special type of shoe in a certain construction and in a certain field. This specialization is a big factor in developing efficient operation.

Several of our plants are in small communities where the plant is one of the most important industries in the community. The plants are modern, well laid out, and in most cases are in buildings that we have designed. Our Company has always sought to have the best available equipment and physical layout, believing that is most economical in the end.

The Company also operates a sole cutting and heel building plant in Tullahoma, Tenn., and an upper leather tannery in Whitehall, Mich. The tannery produces only a small amount of the upper leather used by the Company but serves to augment present sources of leather supply.

In Nashville, Tenn., the Company also operates a chemical plant producing shoe polishes for the retail trade and finishes and other chemical items used in the manufacture of shoes; a factory manufacturing chiefly ladies' handbags and other miscellaneous products, and a wood working plant producing window display equipment, shower clogs and other miscellaneous wood items.

In Mexico City, Mexico, the Company operates two shoe manufacturing business, producing shoes entirely for the Mexican trade and in the higher priced field for Mexico. These factories, while small compared with the factories in this country, are among the larg-

DISTRIBUTION

Approximately 20,000 dealers, located in every state in the Union and in many foreign countries, sell the products of the General Shoe Corporation.

STOCKHOLDERS

The 627,391 shares of General Shoe common stock outstanding are owned by some 3,250 investors in all parts of the country. The average is about 194 shares per holder. A sizeable number of our stockholders are rank-and-file employees of the company who have purchased the stock, for the most part, out of their earnings. General Shoe maintains facilities for answering inquiries from any of its stockholders who also are always welcome to visit any of our plants or offices.

est in Mexico. The operation in Mexico is on a completely separated basis and really becomes the eighth operating branch of the Company. These plants are operated chiefly by Mexican citizens, with the help of technical experts trained in our plants in the United States. Valuable experience is being gained in Mexico which may be very useful toward possible developments in other Latin American countries after the war.

DISTRIBUTION METHODS

The products of General Shoe Corporation are distributed throughout every state in the union, and in a number of foreign countries. There are dealers in practically every town and city handling some of the lines of the Company.

For the regular retail trade, the Company has a number of separate sales divisions, handling particular types of shoes covering particular fields. Most of these shoes are sold under Company brands, although some of them are distributed under the independent retailer's brand and made up to his specifications. The Company also has sales divisions for the chain store and mail order house trade. Most of these shoes are made up to the buyer's specifications and stamped with his brand.

The Company also operates four groups of its own retail stores. The largest group is Flagg Bros. Stores, operating in most of the larger cities in the Eastern part of the country. This group carries men's shoes in the middle priced field together with accessories usually sold in men's shoe stores. The Company also operates a group of Jarman Shoe Stores, selling shoes in the higher priced field, a group of stores called John Hardy selling men's shoes in the lower priced field, and has just recently opened a store under the name of Holiday's, selling feminine footwear and accessories such as handbags and hose in the medium priced field.

A number of the Company's products are advertised in national magazines. The best known brands of the Company are Jarman shoes for men which have been advertised extensively for some years in such magazines as *Saturday Evening Post, Life, Colliers* and various others. Fortune shoes for men in the low priced field also have been advertised extensively in national magazines. Other advertised brands are Friendly shoes for women, Skyrider shoes for boys, Acrobat shoes for children.

The Company also sells shoes under various other brands which do not have national advertising but which are frequently advertised by retailers and which also frequently carry window display materials which help promote these brands. These brands include Davidson and Kingston shoes for men, Statler work shoes, Barrett style shoes for women, Edgewood sport oxfords for women and growing girls' shoes, and Fortunette, Pre-Vue and Hygeia shoes for women.

The retail store groups also use extensive advertising in the communities in which their stores are located.

INDUSTRIAL RELATIONS

One of the greatest assets the Company has is the type of men and women who make up the large group employed in General Shoe plants. These men and women take great pride in their work and do everything they can to turn out the best possible products. The management of the Company feels that a great

Our tannery at Whitehall, Mich.

part of its responsibility is in representing these employees and so operating the business that it will continue to have their co-operation and good will.

Proper relationships with the people in every department of our business are carefully watched and studied. It is the purpose of the management to train every one of its supervisors in the policies and methods of the Company in employee relationships. The foremen are the key men in this respect, and our Company is fortunate in having a fine group of people as first line supervisors, most of whom have grown up with the Company and have been trained, right from the start, in our methods.

The Company maintains written, stated policies covering most of the matters having to do with employee relations. It has a central personnel staff organization together with personnel men in each of its plants. It maintains close contact with the various workers by means of these personnel officers and by other means of communication. The employees are kept informed about the operation of the business and the problems of the business through reports to them, through letters and through other channels.

In most of the plants of the Company there are advisory committees or labor management committees consisting of employees and representatives of management who meet usually once each month to discuss any questions or suggestions that the employees have about the operation of the business and to give them a voice in matters that affect them. Management believes that this has been very helpful in improving our operations in many ways.

Nearly all of the employees are on a piece work basis where each can earn according to his own efforts, and the average earnings of employees have been on a very good level. The Company maintains a minimum wage higher than that required by law, has paid vacations of up to two weeks depending on length of service, overtime provisions more liberal than required by law, and various other provisions of this sort.

An Advisory Committee Meets

Combat boots for invasion armies

The Company also has arranged in many of its plants for such things as sick benefit associations, group life insurance, hospitalization coverage, credit unions and other such benefits.

The Company holds one of the finest safety records in American industry. In most of the plants adequate hospital and first aid facilities are maintained together with trained nurses in attendance.

General Shoe follows a careful policy of training workers and a system of promoting within the organization is in effect throughout the Company.

A special management committee is constantly studying ways and means of working out problems of employee relations in a better way, and management is open to suggestions from employees or others if any improvements can be put in.

The personnel officers also promote wholesome outside activities for employees including sports and social committees made up of employee groups. There are a number of employee clubs in the various plants which have served very useful purposes. These personnel officers also serve to give aid to employees in their own personal problems, legal and tax matters, etc.

In most of the plants there is an employee newspaper which is a newsy, tabloid-size publication. There is a special edition for each plant and this is primarily an employee newspaper with news of employees. While there are frequently articles in the paper explaining Company policies and answering questions from employees, the papers are not used as a means of propaganda.

Copies of this employee newspaper are sent regularly to all of our men and women in service, and various other contacts are maintained with these employees who are now in service.

SUPERVISORY TRAINING PROGRAM

A special training program is maintained for the development of present supervisors as well as the location and development of new men to have them qualified for supervisory positions when openings occur. These training programs are conducted in various plants and also in the central headquarters plant in Nashville where groups are brought in from time to time. The Company believes very strongly in the development of individuals within its own organization.

RESEARCH DEPARTMENT

The Company maintains a research department which is rendering a very real service. Suggestions are frequently coming in from employees as to new and better methods of manufacture. New materials are coming on the market from time to time and various new items of equipment become available. These are all tested and examined carefully by the men in the Research Department who have had long years of experience in the shoe industry and who are alert to trying out and experimenting with new things. This has made for improvements in the wear, appearance and comfort of our shoes, and has made it possible to manufacture shoes on a more economical basis and increased operating efficiency.

One of our foremens' training classes in session.

GOVERNMENT RELATIONS

The entire shoe industry is operating under a great variety of government restrictions. The public, of course, is familiar with shoe rationing and with price controls maintained by OPA. In addition there are stringent production limitations, allocation of some materials that are used and priority control on other materials. There are also design limitations on shoes and regulations which prohibit us from going into the manufacture of certain new items which we have not previously made. It has been the purpose of management to live up to these regulations, realizing that the requirements of war must come first, and that in periods of this sort there must be detailed controls which will react on various parts of an industry in different ways.

POST WAR POSSIBILITIES

The Company has made detailed studies and surveys of the various fields in which it is now operating, and of other fields in which it may wish to enter. These surveys indicate that there should be a continuing strong demand for all types of shoes in the post-war period. It is believed that our Company is in a position to continue to increase its share of the total volume. Outlines have been made of just what would be practical for the Company to do under various conditions, and as developments occur in the post war period, the Company will be in a position to expand its operation and take advantage of opportunities as they appear.

HE PROFITS MOST WHO SERVES BEST

"This business was founded and continued on the basis of Christian leadership. We believe in truth. In relations with the public, customers, stockholders, employees and all others we will make only statements we believe to be correct. Salesmanship must be honest. We must keep the faith of our employees. Promises must be kept."—*James Franklin Jarman, founder of General Shoe Corporation.*

1,438

WHEN OUR VETERANS RETURN

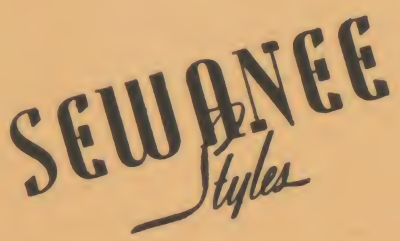
Any former General Shoe employee who left us to join our country's armed services will get his old job back, or one of equivalent pay and seniority if he applies for reinstatement within ninety days after his honorable discharge from the service. If he is physically handicapped because of war service and cannot resume work at once, his case will receive special attention and every effort will be made to work out a plan for his re-employment and rehabilitation.

We are making our plans so that no competent present employee will be forced out of work by these returning service men. With post-war prospects bright for the shoe industry as a whole, we look for our plants to be running at full production. There will be work for veterans and those employees who have joined us since the war began. Furthermore, we are anticipating a need for still more new employees in addition to those now at work and those in service.

SEWANEE
Fortunets

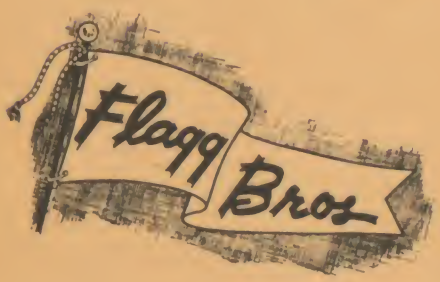
Friendly
SHOES FOR WOMEN

Jarman
SHOES FOR MEN


SEWANEE
Styles

Skyriders
SHOES FOR BOYS

ACROBAT
SHOES FOR LITTLE FOLKS


Flagg Bros

Hylanders
CASUALS FOR WOMEN

FORTUNE
Shoes for Men

Hygeia
GODDESS of HEALTH

Pro-Vus
STYLES OF TOMORROW

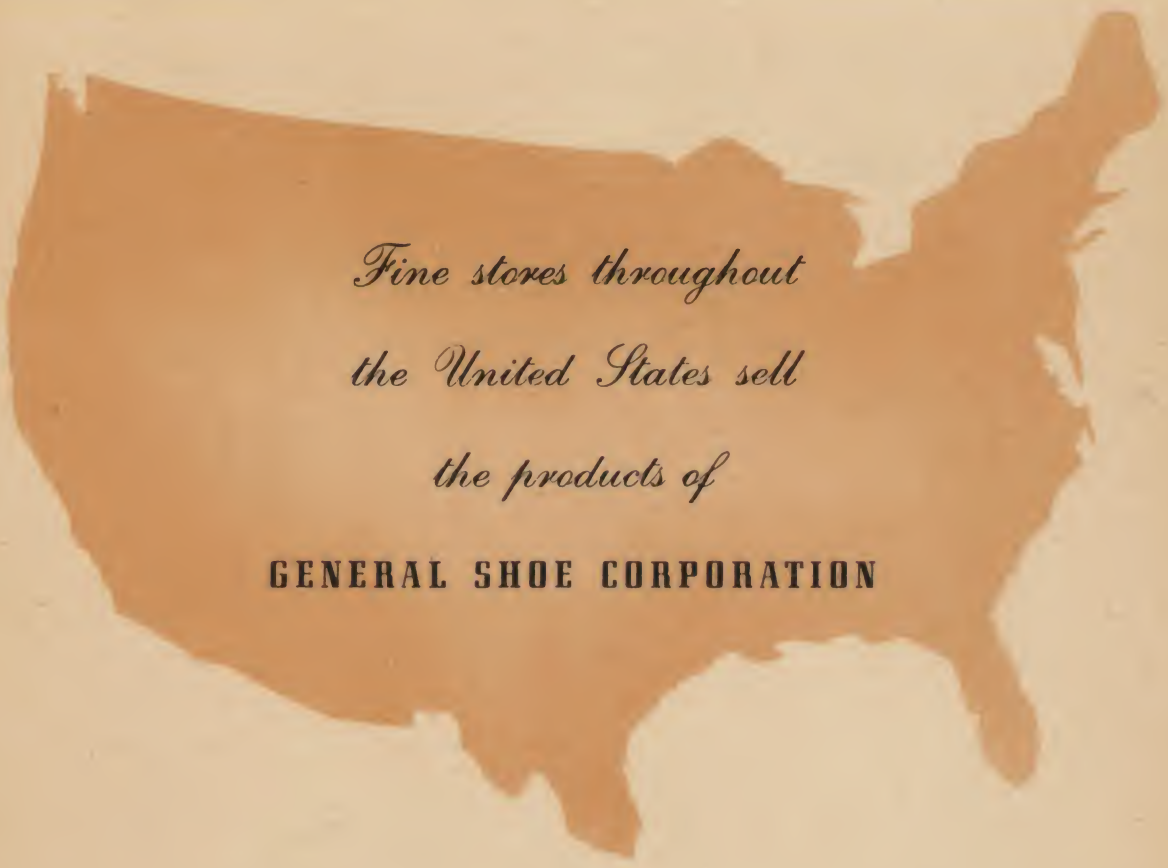
'76
BOOT POLISH
25¢

John Hardy

PERMANENT
BROWN
SHOE DYE

Holiday
FINE SHOES
BAGS

Barrett
ORIGINALS



Fine stores throughout

the United States sell

the products of

GENERAL SHOE CORPORATION